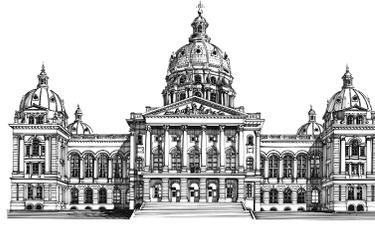

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Economic Impact of Travel on the Iowa Economy

ISSUE

This *Issue Review* provides an analysis of the report entitled The Economic Impact of Travel on Iowa Counties completed annually for the Department of Economic Development by the U.S. Travel Data Center of the Travel Industry of America.¹

AFFECTED AGENCIES

Department of Economic Development

BACKGROUND

Each year, the U.S. Travel Data Center completes a survey and analysis of travelers, travel expenditures, and travel-related tax revenues for the entire United States.² The U.S. Travel Data Center also completes a specific analysis of travel in Iowa and for each of the 99 counties. The analysis provides estimates of the economic impact of travel at the State and county level.

Methodology

The U.S. Travel Data Center uses an economic input/output model originally developed for the U.S. Department of the Interior. The model uses the County-City Travel Impact Model component of the Travel Economic Impact Model to produce estimates of the economic impact of travel at the State and county level.

The Travel Economic Impact Model is based upon the Center's 1987 National Travel Survey of 18,000 travelers and Smith's Travel Research Hotel and Motel Survey.³ Also used are expenditure data developed by the U.S. Census Bureau, various other federal agencies, and national travel organizations.

¹ The Department paid \$23,750 for the 1998 survey.

² The U.S. Travel Data Center is the research department of the Travel Industry Association of America. The Association's mission is to represent the whole of the U.S. travel industry to promote and facilitate increased travel in the United States.

³ Greyhound Corporation, Amtrak, Cruise Line International Association, and Enos Foundation data are also used for specific travel areas. Other sources are used to annually update the 1987 National Travel Survey.

The Model uses estimates of 15 travel expenditure categories, their impact on 14 types of travel-related businesses, and the resulting business receipts, employment, personal income, and tax receipts. The expenditure categories and business types are listed in **Attachment A**.

Definitions

Travel is defined as overnight trips away from home in paid accommodations regardless of distance from home, as well as day trips 100 miles or more away from home.⁴ The survey points out the difference between *tourism*, which includes trips for pleasure, and *travel*, which includes not only trips for pleasure, but also for business, to visit friends and family, or for any other reason not specifically excluded. The survey estimates the economic impact of travel, not just tourism.

Travel Expenditure is defined as the exchange of money for retail goods or services considered part of the trip. Travel expenditures are allocated between states (and counties) by simulating where the exchange of money for goods or services actually took place. Fifteen expenditure categories are classified as travel-related.

Travel Industry refers to the collection of 14 business types that provide goods and services to the traveler at the retail level. The business types are within specific Standard Industrial Classification (SIC) codes.

Economic Impact is the estimated measure of spending, employment, payroll, business receipts, and tax revenues generated by traveler spending. Tax revenues include corporate and individual income tax, sales, use, and excise taxes.

Survey Conclusions

The 1998 survey reports the following data and conclusions regarding the expenditures of domestic travelers in Iowa:^{5,6}

- Travel expenditures totaled \$3.732 billion dollars in 1998, which ranked Iowa 33rd among all states and the District of Columbia. The 1998 amount was a 2.7% increase over 1997. Nationally, the 1998 increase was 4.1%. U.S. resident travel in Iowa accounted for 0.9% of the total U.S. resident travel in the United States. Of the amount expended:
 - \$775.0 million (20.8%) to employ 58,800 persons, including full-time, part-time, and seasonal employment, for an average wage paid per job (including benefits) of \$13,200 for the year.⁷
 - \$574.6 million (15.4%) of the expenditures went to taxes:
 - Federal - - \$284.0 million
 - State - - \$233.4 million

⁴ Certain travel is excluded, including the operating crew of a ship, train, plane, bus, or truck; persons commuting to work; and student trips to and from school.

⁵ The U.S. Travel Data Center annually revises the previous year's data when a new report is issued. Some revisions have been substantial, so conclusions could change based upon revisions made in the fall of 2000.

⁶ The survey for Iowa is based only on U.S. resident travel and includes both Iowans and residents of other states. Travelers who are residents of foreign countries are not included. Nationally, the survey indicates international travelers represent 14.5% of travel expenditures within the United States. If foreign resident travel in Iowa was at one-half the national average, another \$270 million in travel expenditures could be reported.

⁷ Nationally, 7.1 million jobs are travel-related at \$130.1 billion for salaries and benefits, for an average of \$18,300 per job.

- Local - - \$57.2 million
- \$2.382 billion (63.8%) of the expenditures went to business operators to pay non-personnel input costs, capital costs, profits, and other items.
- Compared to 1994, domestic travel expenditures increased 26.0%. The national increase for the same time period was 24.9%. However, Iowa's rate of growth was below the national level for the past two years. Graphs in **Attachment B** show the annual and cumulative percentage increases from 1994 to 1998 in travel expenditures for Iowa and the nation.
- Compared to 1994, Iowa employment attributed to domestic travel increased 24.6%. The national increase for the same time period was 11.1%. Iowa's rate of growth was above the national rate in three of the four years. Graphs in **Attachment B** show the annual and cumulative percentage increases from 1994 to 1998 in travel-related employment for Iowa and the nation.
- State and local tax revenue was \$290.6 million in 1998, an increase of \$73.2 million (33.7%) compared to 1994. However, the 1998 increase was only 2.1%.
- The highest six counties, Polk, Linn, Scott, Woodbury, Pottawattamie, and Johnson accounted for 53.4% of the travel expenditures, 57.5% of the travel-related payroll, and 39.7% of the jobs.
- The lowest one-third of Iowa counties accounted for 3.7% of the travel expenditures and 2.5% of the wages and employment.

CONCLUSION

The U.S. Travel Data Center annually provides to the Department of Economic Development a survey of the economic impact of travel on Iowa and its counties. The survey is not limited to tourism travel. Business, family visits, and other reasons to travel are also included. The survey does not attempt to divide travel into categories based on the purpose of the trip. To be included in the analysis, a person's trip must be at least 100 miles from home *or* include an overnight stay in paid accommodations. Iowans traveling in Iowa who meet these criteria are included in the analysis. Residents of foreign countries are excluded.

The survey for calendar year 1998 concludes U.S. resident travel in Iowa generated \$3.7 billion in direct economic impact, including \$775.0 million in wage and benefit payments to 58,800 persons employed in travel-related jobs. These numbers include full-time, part-time, and seasonal employment. Travel related expenditures generated \$290.6 million in State and local taxes during 1998.

Compared to the overall State economy, the data shows travel expenditures are 4.6% of the Gross State Product, travel-related tax revenues are 4.6% of net State tax revenues, and travel-related jobs are 3.9% of resident employment and 1.1% of total State personal income.⁸

Compared to 1994, Iowa's travel expenditure and employment growth has exceeded the national average. However, Iowa's 1998 increases were below the national average.

⁸ The Source for Gross State Domestic Product (1997), total State tax revenue (FY 1999), resident employment (1998), and personal income (1998) data is the 1999 Iowa Comprehensive Annual Financial Report (CAFR).

More than half of the 1998 travel-related expenditures and employment occur in six Iowa counties. A large majority of Iowa counties have only a small economic and job benefit from travel. However, a smaller amount may be just as important to a county with a smaller total economy.

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Standard Industrial Classification Names of Industries Included in Travel Industry for Purposes of the Study

Automobile Dealers and Gasoline Service Stations
Automobile Rental and Leasing Without Drivers
Amusement and Recreation Services
Motion Picture Theaters
General Merchandise Group Stores
Eating and Drinking Establishments
Hotels, Motels, and Motor Hotels
Camps and Trailer Parks
General Building Contractors - - Residential Buildings
Operative Builders
Air Transportation
Taxicab Companies
Intercity Highway Passenger Transportation
Amtrak
Water Transportation
Travel Agencies, Tour Operators, and Other Services

Note: The Study text indicates 14 industries are included, but the glossary lists 16.

Categories of Expenditures

Transportation
Air
Taxicab/Limousine
Auto/Truck/Recreational Vehicle Ownership
Auto/Truck/Recreational Vehicle Operation
Automobile Rental
Bus/Motorcoach
Rail
Cruise Ship
Lodging
Hotels/Motels
Campground
Second Home
Other
Entertainment/Recreation
Meals
Incidental Purchases

Iowa and National Trend Comparisons 1994 to 1998

